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RUEHLMC/MILLENNIUM CHALLENGE CORP WASHDC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
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STATE FOR WHA/CEN, WHA/EPSC, AND EEB
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SUBJECT: IRANIAN ASSISTANCE TO NICARAGUA

REF: A) MANAGUA 914

11. (SBU) Summary: From July 31 to August 5, an Iranian technical delegation headed by Iranian Deputy Minister of Energy Hamid Chitchian visited Nicaragua to follow-up on assistance promises made by President Mahmoud Ahmadinejad. The two government will meet again in November in the first meeting of the "Nicaraguan-Iranian High-Level Mixed Commission." The agreements from this visit covered Iranian assistance in the areas of energy and mines, agriculture and forestry, health, ports, urban and rural housing, water and sanitation, fisheries, small- and medium-sized industry, and foreign relations. While some concrete projects in housing and agriculture emerged from this visit, there was little specificity on overall size (funding and scale) of the assistance effort. The assistance which would have the most significant effect on Nicaragua's development - ports, hydroelectric power and industry - is limited to feasibility studies and vague promises. End Summary.

The Iranians Who Came

12. (U) From July 31 to August 5, an Iranian technical delegation visited Nicaragua to follow-up on agreements signed during the January visit to Nicaragua of Iranian President Mahmoud Ahmadinejad (Ref A) and Ortega's June visit to Iran. The Iranian team, which visited at least seven cities during its stay, was headed by Iranian Deputy Minister of Energy Hamid Chitchian and included 20 additional representatives from the Iranian public and private sectors (For full list see paragraph 15). Together with counterparts from Nicaragua the Iranian delegation was divided into work teams focusing on nine areas: energy and mines, agriculture and forestry, health, ports, urban and rural housing, water and sanitation, fisheries, small- and medium-sized industry, and foreign relations. The two government teams will meet again in November 2007 for the first meeting of the "Nicaraguan-Iranian High-Level Mixed Commission," which will formalize the remaining details on the Iranian assistance package so the projects can be launched immediately. Below we lay out the project areas that will form the basis for the discussion in November. The project outlines were signed on August 4 by Chitchian and Nicaraguan Vice Minister of Foreign Cooperation Valdrack Jaentschke.

Future Areas of Cooperation

Energy and Mines

13. (U) Energy and Mining: The Nicaraguan delegation presented six

potential hydroelectric projects to the Iranians, all located near Rio Grande in Matagalpa and Rio Escondido in the Atlantic coast. The projects together represent a generation capacity of 616 MW and an estimated investment of \$1.2 billion. (Note: Ortega has also presented these projects to the Brazilian government, Mexican investors such as Carlos Slim, North American companies, and the Libyan government. End Note.) The Iranian delegation showed interest in four of the projects, and undertook site visits to all of them with Nicaraguan experts from the Ministry of Energy and Mines. The Iranians took with them the pre-feasibility studies for all four projects, even though they admitted to having only the capacity to invest in one. On mining, both parties expressed interest in compiling the geologic information necessary to determine the mining potential of Nicaragua, as well as possibly establishing geological databases.

Agriculture and Forestry

14. (U): The Iranian government has committed to support the Nicaraguan agricultural sector in a variety of ways, including:

- Supplying 4,000 tractors to farming cooperatives at interest rates of no more than 6% (in addition to studying the feasibility of building a tractor production plant in Nicaragua);
- Constructing five milk processing plants and ten milk storage centers;
- Supplying modern irrigation equipment;
- Providing training courses and workshops on agricultural development issues;

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- Constructing industrial meat packaging plants;
- Supporting the export of Nicaraguan agricultural products to Iran, including coffee, meat, and plantains;
- Supplying agro-industrial teams specialized in grain processing and packaging; and
- Permanently installing Iranian companies in the Nicaraguan agricultural and industrial sectors.

15. (U) The Iranian government and private sector representatives also agreed to provide agricultural machinery to the Nicaraguan private sector at preferential prices, with a special focus on serving cooperatives and small- and medium-sized producers.

Health

16. (U) Both countries signed a detailed agreement on the creation of a health clinic in Managua that will offer patient services, medical consultations, and medical supplies. The Iranian delegation also promised at some point in the future to:

- Reconstruct health centers;
- Supply of medical services in places where they do not currently exist;
- Disease control assistance;
- Health personnel training;
- Health-related scientific research; and
- High-tech laboratory services.

17. (U) Additionally, the Nicaraguan Ministry of Health (MINSa) requested the Iranians consider expanding cooperation in the area of prosthetics and burn research to help the handicapped.

Ports

18. (U) The Iranian delegation expressed interest in a joint-venture for the first phase of the construction of two docks at the Port of Corinto--a project with an estimated value of \$36 million, according to Ortega (a financing mechanism for the investment will be

established during future negotiations). The Iranians also expressed interest in a Nicaraguan proposal for a deep water port at Monkey Point on the Caribbean Coast of Nicaragua, on the proviso it include other countries and a feasibility study is completed. (Note: Joint-venture countries were not released, but Ortega later suggested Venezuela. End Note.)

Urban and Rural Housing

¶9. (U) The Iranian delegation agreed with the GON on a plan to construct 10,000 affordable housing units within the next five years, with the construction of the first thousand homes beginning in October 2007. (Comment: This is probably the most concrete project offered by the Iranian delegation. End Comment.) A long-term financing mechanism for the homes will be worked out over the next few months. For its part, the GON offered the Iranians support as necessary for the processing of any permits required for foreign investment in Nicaragua.

Water and Sanitation

¶10. (U) The Iranians will help to dig another 10-20 water wells in southwest Managua; will assist in improving and reconstructing Nicaragua's existing water distribution network; and will complete a long-term feasibility study of a Lake Cocibolca project to identify the most viable ways to utilize the water from the lake for the southern region of the country.

Fisheries

¶11. (U) Both governments agreed to a feasibility study for the construction of two ports with fish processing plants. Additionally, the Nicaraguan delegation presented a proposal for the development of training programs for the fishing sector and for the construction of fishing storage centers, boats, and equipment.

Small- and Medium-Sized Businesses

¶12. (U) The Iranian delegation proposed the sale of plastic injection machinery at preferential prices to Nicaragua with the aim

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of stimulating the development of small- and medium-sized companies in the country. The Nicaraguans were receptive to this offer and said that they hope to implement it in the near-term.

Foreign Relations

¶13. (U) In order to strengthen ties between Iran and Nicaragua, both governments agreed to name ambassador-level diplomatic representation. They also agreed to waive visa requirements for diplomats and government officials. The Iranian delegation offered ten scholarships for the training of Nicaraguan diplomats.

Comment

¶14. (SBU) As with all of the assistance promises from Nicaragua's new "friends," the proof is in the pudding. While there are some concrete projects in the works, there is little specificity on funding or scale of the possible projects. The assistance which would have the most significant effect on Nicaragua's development, i.e. ports, hydroelectric power, and industrial facilities, is limited to feasibility studies and vague promises. Several local commentators point out that real proof of Iran's commitment to Nicaragua is in its reluctance to forgive \$152 million in bilateral debt. During President Ahmadinejad's visit in January, the Sandinista Government highlighted debt forgiveness as one of their goals. Ahmadinejad said that it would be up to the Iranian Parliament, but promised to "look into it." The issue has not been publicly raised by either side since.

¶15. (U) Iranian Delegation Members:

-- Hamid Chitchian, Deputy Minister of Energy

-- Mohsen Bakhtiar, Director General of Economic Studies and Export Promotion, Ministry of Energy

-- Ahmad Sabhani, Director of the Americas, Foreign Ministry

Energy and Mining:

-- Masoud Hojjat, General Manager of the Electricity Network of Iran

-- Ahmand Shkoori Rad, General Manager, Ghods Niroo, electricity

-- Mohammed Reza Hezarehee, geology and mining expert

-- Reza Gholami, Deputy Manager of the Karun Dam, FARAB

-- Reza Ebad Zahed, General Manager, Sunir Corporation, water and electricity sector

Agriculture:

-- Mostafa Faghih Imani, General Manager, Foundation for the Development of Grains and Meats

-- Mohammed Reza Rikhtegar Berenji, expert, Foundation for the Development of Meats and Grains

-- Morteza Meshkini, General Manager of a tractor factory

-- Abdolhosean Mohammed Zadeh, General Manager of Sut Masin, dairy plant

-- Abdoreza Yousefvand Mansouri, General Manager, Tehran Development Company (TAD)

Health:

-- Dr. Jamal Akhavan Moghaddam, Director of Health for the Red Crescent Society of Iran

Ports:

-- Parviz Ramazan Pour, General Manager of ICAN, ports and water pumps

Urban and Rural housing:

-- Manouchehr Nowroozi, President of the Board of Directors of Tabliye, construction

Water and Sanitation:

-- Mohammed Kiafar, General Manager of Mahab Ghods, water projects

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-- Freydoon Solh Doost, General Manager of Bornak, piping for water projects

-- Kamyar Baytmakoo, Marketing Manager, Mahab Ghods, water, wells and irrigation

Small- and Medium-sized Businesses:

-- Gilda Satahey, representing a company that does plastic injection machines

-- Mehdi Hahian, Director of Exports, Iranhodro Diesel

-- Abbas Memaria, Production Manager, Iran Tobacco

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